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(USD(C)/CFO)) shall provide necessary financial management guidance to the Department of Defense regarding the recoupment of NC.

(b) The Under Secretary of Defense for Acquisition, Technology, and Logistics shall take appropriate action to ensure the Defense Federal Acquisition Regulation Supplement remains in accordance with this part.

(c) The USD(P) shall:

(1) Monitor the application of this part.

(2) Review and approve NC recoupment charges.

(3) Review and approve NC recoupment charge waiver requests received from foreign countries and international organizations for foreign military sales.

(4) Oversee publication of a listing of items developed for or by the Department of Defense to which NC recoupment charges are applicable.

(5) Use the guidance in §165.7 of this part to review NC waiver requests.

(d) The Secretaries of the Military Departments and the Directors of the Defense Agencies shall:

(1) Determine the DoD nonrecurring investment in items developed for or by the Department of Defense and perform required pro rata calculations in accordance with this part and financial management guidance from USD(C)/CFO when a military equipment asset type is considered a candidate for sale.

(2) Validate and provide recommended charges to the USD(P). Retain supporting documentation until the item has been eliminated from the NC recoupment charge listing.

(3) Review approved NC recoupment charges on a biennial basis to determine if there has been a change in factors or assumptions used to compute a NC recoupment charge and, if there is a significant change in a NC recoupment charge, recommend the change to USD(P) for review, approval, and publication in DSCA 5105.38–M, “Security Assistance Management Manual (SAMM).”³

(4) Collect charges on foreign military sales, in accordance with DoD 7000.14–R.⁴

(5) Deposit collections to accounts as prescribed by the USD(C)/CFO.

(6) Request guidance from the USD(P), within 90 days after determining that an issue concerning an NC recoupment charge cannot be resolved.

§ 165.6 Procedures.

(a) The NC recoupment charge to be reimbursed shall be a pro rata recovery of NCs for the applicable major defense equipment (MDE). Recovery of NC recoupment charges shall cease upon the recovery of total DoD nonrecurring investment costs. Such charges shall be based on a cost pool as defined in §165.3. For an MDE system that includes more than one component, a “building block” approach (i.e., the sum of NC recoupment charges for individual components) shall be used to determine the NC recoupment charge for the sale of the entire system.

(b) The NC recoupment charge shall not apply when a waiver has been approved by USD(P), in accordance with §165.7, or when sales are financed with USG funds made available on a non-repayable basis. Approved revised NC recoupment charges shall not be applied retroactively to accepted foreign military sales agreements.

(c) When MDE is sold at a reduced price due to age or condition, the equipment’s NC recoupment charge shall be reduced by the same percentage reduction.

(d) The full amount of costs for “special” research, development, test, and evaluation and nonrecurring production costs incurred for the benefit of particular customers shall be paid by those customers. However, when a subsequent purchaser requests the same specialized features that resulted from the added “special” research, development, test, and evaluation and nonrecurring production costs, a pro rata share of those costs may be paid by the subsequent purchaser and transferred to the original customer if those special NCs exceed 50 million dollars. The

³ Available at <http://www.dsca.osd.mil/samm/>.

⁴ Available at <http://www.defenselink.mil/comptroller/fmr/>.

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pro rata share may be a unit charge determined by the DoD Component as a result of distribution of the total costs divided by the total production. Unless otherwise authorized by USD(P), special research, development, test, and evaluation and nonrecurring production costs will not be collected after 10 years have passed since the date the original FMS customer accepted the FMS Letter of Offer and Acceptance (LOA) that included the special NC charges. The USG shall not be charged any NC recoupment charges if it adopts the features for its own use or provides equipment with such features under a U.S. grant aid or similar program.

(e) Cooperative DoD agreements, to include co-production, co-development and cooperative development agreements, shall use the policy in this part to determine the allocation basis for recouping the participant investment costs from third-party purchasers. Each respective DoD agreement shall bind all parties to the agreement to comply with the policies in this part regarding third party sales and for the distribution of recouped funds among the parties.

§ 165.7 Waivers (including reductions).

(a) Title 22, U.S.C. 2761(e)(1)(B) requires the recoupment of a proportionate amount of NCs of MDE from foreign military sales customers.

(b) Pursuant to 22 U.S.C. 2761(e)(2)(A), a waiver or reduction in the NC for a specific sale may be made if the sale will significantly advance U.S. Government interests in:

(1) Standardization with the North Atlantic Treaty Organization.

(2) Standardization with Australia, Israel, Japan, New Zealand, or the Republic of Korea in furtherance of mutual defense treaties with one or more of those countries.

(3) Foreign procurement in the United States under a co-production agreement.

(c) In accordance with 22 U.S.C. 2761(e)(2)(B), a waiver may be made if:

(1) Imposition of an NC recoupment charge likely would result in the loss of the sale; or,

(2) The sale is for an MDE also being procured for the Military Services, and will result in DoD unit cost savings

that substantially offset the revenue foregone by waiving the recoupment charge because the total quantity of purchased equipment caused a reduction in the unit cost.

(d) In accordance with 22 U.S.C. 2761(e)(2)(C), any increase in a NC charge previously approved as appropriate may be waived for a particular sale if the increase results from a correction of an estimate of the production quantity base that was used for calculating the charge.

(e) Requests for waivers should originate with the foreign government and shall provide information on the extent of standardization to be derived as a result of the waiver.

(1) Blanket waiver requests should not be submitted and shall not be considered.

(2) A waiver request shall not be considered for a sale that was accepted without an NC recoupment charge waiver, unless the acceptance was conditional on consideration of the waiver request.

(3) Requests for waivers shall be processed expeditiously, and approved or disapproved by USD(P) within 60 days of receipt. A waiver in whole or in part of the recoupment charge or a denial of the request shall be provided in writing.

PART 168a—NATIONAL DEFENSE SCIENCE AND ENGINEERING GRADUATE FELLOWSHIPS

Sec.

168a.1 Purpose.

168a.2 Applicability.

168a.3 Definition.

168a.4 Policy and procedures.

168a.5 Responsibilities.

AUTHORITY: 10 U.S.C. 2191.

SOURCE: 55 FR 29844, July 23, 1990, unless otherwise noted.

§ 168a.1 Purpose.

This part:

(a) Establishes guidelines for the award of National Defense Science and Engineering Graduate (NDSEG) Fellowships, as required by 10 U.S.C. 2191.

(b) Authorizes, in accordance with 10 U.S.C. 2191 and consistent with DoD 5025.1, the publication of a regulation